

**CITY OF ROSE CITY**  
**Ogemaw County, Michigan**  
*WS-2010*  
**Financial Report**  
**with Supplemental Information**  
**June 30, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

65-2010

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>CITY OF ROSE CITY</b>		County <b>OGE MAW</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>12/13/04</b>	Date Accountant Report Submitted to State: <b>12/27/04</b>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

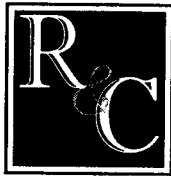
## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASL GU).			✓

Certified Public Accountant (Firm Name) <b>ROBERTSON &amp; CARPENTER, CPAs, LLP</b>			
Street Address <b>103 E MAIN STREET, PO BOX 69</b>		City <b>ROSE CITY</b>	State <b>MI</b>
Accountant Signature <i>Robertson &amp; Carpenter CPAs, LLP</i>		ZIP <b>48654</b>	Date <b>12/27/04</b>

City of Rose City  
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Rodney C. Robertson, CPA  
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CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITOR'S REPORT

City Council  
City of Rose City  
Rose City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rose City as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rose City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rose City as of June 30, 2004, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 29 through 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rose City's basic financial statements. The accompanying other pages of supplementary information, as identified in the table of contents, are presented for purposes analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Robertson & Carpenter, CPAs, LLP*

Robertson & Carpenter, LLP  
Certified Public Accountants  
December 13, 2004

## Management's Discussion and Analysis

As management of City of Rose City (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004.

### Financial Highlights

- The assets of City of Rose City exceeded its liabilities at the close of the most recent fiscal year by \$2,631,875 (*net assets*). Unrestricted net assets for the governmental activities were \$145,328. This amount represents the part of net assets that is available to finance day-to-day operations of the City.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 189,082, a decrease of \$ 56,822 in comparison with the prior year. Approximately 77% of the total amount, \$145,587, is available for spending at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$145,587 or 36% percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the government-wide financial statements present functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, and recreation and culture. The business-type activities of the City include a sewer system and a water system.

The government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Rose City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, and Local Street Fund. Data from the other three non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Rose City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund, Major Street Fund and Local Street Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

**Proprietary Funds.** City of Rose City maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water activities.

The basic proprietary fund financial statements can be found on pages 14 to 16 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 17 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-28 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budgetary comparison schedules for major governmental funds. Required supplementary information can be found on pages 29 to page 32 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining fund statements can be found on pages 32-33 of this report.

### **Government-wide Financial Analysis**

*[Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of City-wide data will be presented.]*

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded its liabilities by \$2,631,875 at the close of the most recent fiscal year.

The most significant portion of the City's net assets (\$2,208,133, or 84%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, vehicles, and equipment). The City uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

An additional portion of the City's net assets (\$43,495, or 2%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$380,247, or 14%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.



### City's Net Assets

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current and Other Assets	\$ 206,996	\$ 239,120	\$ 446,116
Capital Assets, Net	<u>529,785</u>	<u>1,678,348</u>	<u>2,208,133</u>
Total Assets	736,781	1,917,468	2,654,249
Current Liabilities	<u>18,173</u>	<u>4,201</u>	<u>22,374</u>
Total Liabilities	18,173	4,201	22,374
Net Assets:			
Invested in Capital Assets, Net of Related Debt	529,785	1,678,348	2,208,133
Restricted	43,495	0	43,495
Unrestricted	<u>145,328</u>	<u>234,919</u>	<u>380,247</u>
<b>Total Net Assets</b>	718,608	1,913,267	2,631,875

The City's net assets increased by \$118,787 during the current fiscal year discussed below.

### City's Changes in Net Assets

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Revenue:</b>			
Program Revenue:			
Charges for services	\$119,283	\$ 122,329	\$241,612
Operating Grants	129,973	0	129,973
Capital Grants	0	4,314	4,314
General Revenue:			
Property Taxes	220,284	-	220,284
State-Shared Revenues	99,096	-	99,096
Interest and Rent Earnings	1,200	-	1,200
Other	7,633	1,948	9,581
<b>Total Revenue</b>	<u>577,469</u>	<u>128,591</u>	<u>706,060</u>
<b>Expenses:</b>			
General Government	112,436	-	112,436
Public Safety	131,096	-	131,096
Public Works	206,542	-	206,542
Recreation and Culture	13,138	-	13,138
Other	10,553	-	10,553
Sewer and Water	-	113,508	113,508
<b>Total Expenses</b>	<u>473,765</u>	<u>113,508</u>	<u>587,273</u>
<b>Increase (Decrease) in Net Assets</b>	<b>103,704</b>	<b>15,083</b>	<b>118,787</b>
Net Assets, Beginning of Year	614,904	1,898,184	2,513,088
<b>Net Assets, End of Year</b>	<b>718,608</b>	<b>1,913,267</b>	<b>2,631,875</b>

**Governmental activities.** Governmental activities increased the City's net assets by \$103,704, accounting for 87% of the total growth in net assets of the City. This was primarily attributed to an increase in City assets from infrastructure additions. Expenses decreased due to a decrease in general government expenditures of approximately \$29,000, a decrease in public works expenditures of approximately \$59,000 and a decrease in general fund capital outlay of \$45,000.

**Business-type activities.** Business-type activities increased the City's net assets by \$15,083.

### **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$189,082, a decrease of \$56,822 in comparison with the prior year. Approximately 77% of this total amount (\$145,587) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are reserved or included in special revenue funds and is not available for current expenditure. The amount committed for local street purposes consists of \$35,648 from State revenues and \$1,121 restricted for the recreation program.

The general fund is the principal operating fund of the City. At the end of the current fiscal year, unreserved fund balance and total fund balance of the general fund were \$145,587 and \$152,313, respectively. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent approximately 36% and 38% of total general fund expenditures.

The fund balance of the General Fund decreased by \$59 during the current fiscal year.

**Proprietary funds.** The City proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer and Water Fund at the end of the year amounted to \$234,919. The total increase in net assets was \$15,083. Other factors concerning the finances of the fund have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

The City's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The general fund budget was amended during the year, revising functional categories as needed. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various City programs.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental activities as of June 30, 2004, amounted to \$529,785 (net of accumulated depreciation). This investment in capital assets includes infrastructure, land, buildings, vehicles and equipment. Additions totaled \$193,175, including road improvements of \$187,221 for the fiscal year.

### City's Capital Assets (net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$59,543	\$ -	\$59,543
Infrastructure	181,760	-	181,760
Land improvements	66,497		66,497
Buildings and improvements	105,144	-	105,144
Furniture and Equipment	116,841	-	116,841
Sewer and water systems	-	2,208,133	2,208,133
<b>Total</b>	<b>\$529,785</b>	<b>\$2,208,133</b>	<b>\$2,737,918</b>

Additional information on the City's capital assets can be found in note 5 on page 25 and 26 of this report.

## Factors Bearing on the City's Future

The following factors were considered in preparing the City's budget for the 2004-2005 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2003-2004, the City received \$92,541 in state shared revenue from sales tax distributions, representing 22% of the revenues in the General Fund. The amounts of state shared revenues for future periods are uncertain and will affect the City's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

## Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Rose City  
City Hall  
410 N. Williams  
Rose City, Michigan 48654

City of Rose City  
Statement of Net Assets  
June 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash (Note 3)	\$ 170,057	\$ 198,124	\$ 368,181
Receivables (Note 4)	357	40,977	41,334
Internal balances	(19)	19	-
Due from governmental units (Note 4)	36,601	-	36,601
Capital assets-net	<u>529,785</u>	<u>1,678,348</u>	<u>2,208,133</u>
 Total assets	 <u>736,781</u>	 <u>1,917,468</u>	 <u>2,654,249</u>
 <b>Liabilities</b>			
Accounts payable	11,250	4,201	15,451
Accrued and other liabilities	2,719	-	2,719
Deferred revenue (Note 4)	<u>4,204</u>	<u>-</u>	<u>4,204</u>
 Total liabilities	 <u>18,173</u>	 <u>4,201</u>	 <u>22,374</u>
 <b>Net Assets</b>			
Invested in capital assets, net of related debt	529,785	1,678,348	2,208,133
Restricted:-			
Reserved for police inspections	6,726	-	6,726
Local Streets	35,648	-	35,648
Recreation	1,121	-	1,121
Unrestricted	<u>145,328</u>	<u>234,919</u>	<u>380,247</u>
 Total net assets	 <u>\$ 718,608</u>	 <u>\$ 1,913,267</u>	 <u>\$ 2,631,875</u>

See accompanying notes to financial statements.

City of Rose City  
Statement of Activities  
June 30, 2004

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Capital Grants
Primary government:				
Governmental Activities:				
General government	\$ 112,436	\$ 14,096	\$ -	\$ -
Public safety	131,096	1,800	8,403	-
Public works	206,542	78,285	111,570	-
Recreation and culture	13,138	3,682	10,000	-
Other	10,553	21,420	-	-
Total governmental activities	473,765	119,283	129,973	-
Business-type activities:				
Sewage Disposal System	102,888	108,554		
Water System	10,620	13,775	-	4,314
Total business-type activities	113,508	122,329	-	4,314
Total primary government	587,273	241,612	129,973	4,314
General Revenues:				
Property taxes				
State-shared revenues				
Interest and investment earnings				
Other				
Total general revenues				
Change in Net Assets				
Net assets - beginning of year				
Net assets - end of year				

See accompanying notes to financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

Changes in Net Assets Governmental Activities	Business-type Activities	Total
\$ (98,340)	\$ -	\$ (98,340)
(120,893)	-	(120,893)
(16,687)	-	(16,687)
544	-	544
<u>10,867</u>	<u>-</u>	<u>10,867</u>
(224,509)	-	(224,509)
-	5,666	5,666
<u>-</u>	<u>7,469</u>	<u>7,469</u>
-	13,135	13,135
<u>(224,509)</u>	<u>13,135</u>	<u>(211,374)</u>
220,284	-	220,284
99,096	-	99,096
1,200	1,948	3,148
<u>7,633</u>	<u>-</u>	<u>7,633</u>
<u>328,213</u>	<u>1,948</u>	<u>330,161</u>
103,704	15,083	118,787
<u>614,904</u>	<u>1,898,184</u>	<u>2,513,088</u>
<u>\$ 718,608</u>	<u>\$ 1,913,267</u>	<u>\$ 2,631,875</u>

City of Rose City  
Governmental Fund  
Balance Sheet  
June 30, 2004

	General Fund	Major Street Fund	Local Street Fund
<b>Assets</b>			
Cash and investments	\$ 131,914	\$ -	\$ 36,263
Accounts receivable	355	-	-
Due from other funds	9,968	-	-
Due From other governmental units	23,479	9,970	3,152
Total assets	<u>\$ 165,716</u>	<u>\$ 9,970</u>	<u>\$ 39,415</u>
<b>Liabilities</b>			
Accounts payable	\$ 7,699	\$ -	\$ -
Accrued and other liabilities	2,785	4	3
Due to other funds	19	9,966	-
Due to other governments	2,460	-	-
Deferred revenue	440	-	3,764
Total liabilities	<u>13,403</u>	<u>9,970</u>	<u>3,767</u>
<b>Fund balances</b>			
Reserved for police inspections	6,726	-	-
Unreserved:			
General Fund	145,587	-	-
Unreserved-Reported in nonmajor funds			
Special Revenue Funds	-	-	35,648
Total fund balances	<u>152,313</u>	<u>-</u>	<u>35,648</u>
Total liabilities and fund balances	<u>\$ 165,716</u>	<u>\$ 9,970</u>	<u>\$ 39,415</u>

**Fund Balances - Total Governmental Funds**

Elimination of due to and due from governmental funds

    Due to

    Due from

Amounts reported for governmental activities in the statement of net assets are different because:

    Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.

    The cost of capital assets is

    Accumulated depreciation is

Long term liabilities are not due and payable in the current period and are not reported in the fund statements

    Compensated absences

**Net Assets of Governmental Activities**

See accompanying notes to financial statements.

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,880	\$ 170,057
-	355
-	9,968
-	36,601
\$ <u>1,880</u>	\$ <u>216,981</u>
\$ 177	\$ 7,876
582	3,374
-	9,985
-	2,460
-	4,204
<u>759</u>	<u>27,899</u>
-	6,726
-	145,587
<u>1,121</u>	<u>36,769</u>
<u>1,121</u>	<u>189,082</u>
\$ <u>1,880</u>	\$ <u>216,981</u>
	189,082
	(9,968)
	9,968
	760,211
	(230,426)
	(259)
	\$ <u>718,608</u>



City of Rose City  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2004

	General Fund	Major Street Fund	Local Street Fund
<b>Revenues</b>			
Taxes and penalties	\$ 185,503	\$ -	\$ 34,781
Licenses and permits	1,185	-	-
Federal grants	10,000	-	-
State-shared revenues	102,596	87,285	18,548
Charges for services	8,071	-	-
Fines and forfeits	878	-	-
Interest and rentals	29,220	-	-
Reimbursements	78,285	-	-
Other	10,473	337	5,400
Total revenues	<u>426,211</u>	<u>87,622</u>	<u>58,729</u>
<b>Expenditures</b>			
Current:			
General government	100,133	-	-
Public safety	126,441	-	-
Public works	153,364	193,427	29,947
Recreation and culture	3,356	-	-
Other	10,553	-	-
Capital outlay	5,954	-	-
Total expenditures	<u>399,801</u>	<u>193,427</u>	<u>29,947</u>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	26,410	(105,805)	28,782
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	(26,469)	75,134	(75,134)
Total other financing uses	<u>(26,469)</u>	<u>75,134</u>	<u>(75,134)</u>
<b>Change in Fund Balance</b>	(59)	(30,671)	(46,352)
<b>Fund balances</b> -Beginning of year	<u>152,372</u>	<u>30,671</u>	<u>82,000</u>
<b>Fund balances</b> -End of year	\$ <u>152,313</u>	\$ <u>0</u>	\$ <u>35,648</u>

See accompanying notes to financial statements.

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 220,284
-	1,185
-	10,000
-	208,429
1,225	9,296
-	878
-	29,220
-	78,285
3,682	19,892
<u>4,907</u>	<u>577,469</u>
6,614	106,747
-	126,441
-	376,738
4,502	7,858
-	10,553
-	5,954
<u>11,116</u>	<u>634,291</u>
(6,209)	(56,822)
26,469	-
<u>26,469</u>	<u>-</u>
20,260	(56,822)
(19,139)	245,904
\$ <u>1,121</u>	\$ <u>189,082</u>

City of Rose City  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
June 30, 2004

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (56,822)</b>
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Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;  
in the statement of activities these costs are allocated  
over their estimated useful lives as depreciation.

Depreciation expense	\$ (32,954)	
Capital outlay	5,954	
Public works - roads	<u>187,221</u>	
		160,221

Decrease in compensated absences are reported as expenditures when financial resources are used in governmental funds	305
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$ <u>103,704</u></b>
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See accompanying notes to financial statements.

City of Rose City  
Proprietary Funds  
Statement of Net Assets  
June 30, 2004

	Enterprise Funds		
	Major Fund	Major Fund	Total-Enterprise Funds
	Sewer System	Water System	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 185,663	\$ 12,461	\$ 198,124
Accounts receivable	36,505	4,472	40,977
Due from other funds	19	-	19
Total current assets	222,187	16,933	239,120
Noncurrent assets:			
Capital assets	1,321,341	357,007	1,678,348
Total noncurrent assets	1,321,341	357,007	1,678,348
Total assets	1,543,528	373,940	1,917,468
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	3,962	239	4,201
Due to other funds	-	-	-
Total current liabilities	3,962	239	4,201
Total liabilities	3,962	239	4,201
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	1,321,341	357,007	1,678,348
Unrestricted	218,225	16,694	234,919
Total net assets	\$ 1,539,566	\$ 373,701	\$ 1,913,267

See accompanying notes to financial statements.

City of Rose City  
Proprietary Funds  
Statement of Revenue, Expenses and Changes in Net Assets  
June 30, 2004

	Enterprise Funds		
	Major Fund	Major Fund	Total Enterprise Funds
	Sewer System	Water System	
<b>Operating Revenue</b>			
Customer billings	\$ 108,554	\$ 13,775	\$ 122,329
Total operating revenue	108,554	13,775	122,329
<b>Operating Expenses</b>			
Contracted services	3,829	-	3,829
Utilities	18,742	2,788	21,530
Repairs and maintenance	27,827	1,173	29,000
Other supplies and expenses	8,784	135	8,919
Depreciation	43,706	6,524	50,230
Total operating expenses	102,888	10,620	113,508
<b>Operating Income (Loss)</b>	5,666	3,155	8,821
<b>Nonoperating Revenue (Expenses)</b>			
Interest income	1,948	-	1,948
Tap fees	-	4,314	4,314
<b>Change in Net Assets</b>	7,614	7,469	15,083
<b>Net assets - Beginning of year</b>	1,531,952	366,232	1,898,184
<b>Net Assets - End of year</b>	\$ 1,539,566	\$ 373,701	\$ 1,913,267

See accompanying notes to financial statements.

City of Rose City  
Proprietary Funds  
Statement of Cash Flows  
June 30, 2004

	Enterprise Funds		
	Major Fund	Major Fund	Total Enterprise Funds
	Sewer	Water	
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 111,546	\$ 12,798	\$ 124,344
Payments to suppliers	(57,754)	(4,287)	(62,041)
Other receipts	-	-	-
Net cash provided by operating activities	53,792	8,511	62,303
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers from other funds	-	20,189	20,189
Transfers to other funds	(16,638)	(271)	(16,909)
Net cash provided by noncapital financing activities	(16,638)	19,918	3,280
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of capital assets	(51,055)	(18,921)	(69,976)
Capital contributions	-	4,314	4,314
Net cash used in capital and related financing activities	(51,055)	(14,607)	(65,662)
<b>Cash Flows from Investing Activities -</b>			
Interest received on investments	1,948	-	1,948
<b>Net Increase in Cash and Cash Equivalents</b>	(11,953)	13,822	1,869
<b>Cash and Cash Equivalents - Beginning of year</b>	197,616	(1,361)	196,255
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 185,663</u>	<u>\$ 12,461</u>	<u>\$ 198,124</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and cash equivalents	<u>\$ 185,663</u>	<u>\$ 12,461</u>	<u>\$ 198,124</u>
Total cash and cash equivalents	185,663	12,461	198,124
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income (loss)	5,666	3,155	8,821
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	43,706	6,524	50,230
Changes in assets and liabilities:			
Receivables	2,992	(977)	2,015
Due from other funds	-	-	-
Accounts payable	1,428	(191)	1,237
Accrued and other liabilities	-	-	-
Due to other funds	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 53,792</u>	<u>\$ 8,511</u>	<u>\$ 62,303</u>

See accompanying notes to financial statements.

City of Rose City  
Fiduciary Funds  
Statement of Net Assets  
June 30, 2004

	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ 2
Due from other funds	<u>-</u>
Total assets	\$ <u><u>2</u></u>
<b>Liabilities</b>	
Due to other funds	\$ 2
Due to other governments	<u>-</u>
Total liabilities	\$ <u><u>2</u></u>

See accompanying notes to financial statements.

City of Rose City  
Notes to Financial Statements  
June 30, 2004

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Rose City ("the City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

Effective July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34), and related statements. The City has implemented the general provisions of the statement in the current year. Infrastructure assets acquired after July 1, 2003 are included in the government-wide statement of net assets. Infrastructure assets acquired prior to July 1, 2003 are not required to be included. Changes to the statements as a result of GASB 34 are as follows:

A management's discussion and analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets includes infrastructure assets (roads, bridges, etc.) not previously accounted for by the City as well as assets totaling \$571,050 previously reported in the General Fixed Assets Account Group.

The fund financial statements focus on major funds rather than fund types.

The following is a summary of the significant accounting policies used by the City of Rose City, Michigan:

**Reporting Entity**

The City of Rose City, Michigan is governed by six elected City Council members and an elected mayor. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the City's reporting entity, and which organizations are legally separate, component units of the City. Based on the application criteria, the financial statements present the City as the primary government. The City does not contain any component units.

**Joint Area Fire Board** - The City is a participant in the joint venture known as the Rose City Area Fire Board, along with the townships of Rose, Cumming, and Klacking. The Rose City Area Fire Board provides fire protection services to the residents of its members.

In the event of the withdrawal of one member, the withdrawing member shall receive 50% of the withdrawing member's share of the Fire Board's assets (as appraised) less any liabilities. In the event of the withdrawal of two or more members, all property shall be disposed of in any manner upon which all parties can agree as provided in the Fireboard agreement.



City of Rose City  
Notes to Financial Statements  
June 30, 2004

**Note 1 - Summary of Significant Accounting Policies(Continued)**

The most recent available information from the Fire Board's audited financial statements as of December 31, 2002:

Total Assets	\$74,558	Total Revenues	\$94,728
Total Liabilities	3,495	Total Expenditures	68,928
Total Equity	71,063	Increase in fund balance	25,800

The Fire Board financial information does not include a General Fixed Asset Group of Accounts as required by generally accepted accounting principles. The amount that should be recorded in the General Fixed Asset Account Group is not known.

Payments to the Fire Board by the City of Rose City for the year ended June 30, 2004 were \$ 13,743.

The statement of net assets do not include the amount invested in this joint venture. The amount omitted is not material in relation to the financial statements of the City of Rose City.

Financial information for the Fire Board can be obtained from the City Clerk at the city hall in Rose City.

**Government-wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported a separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Rose City  
Notes to Financial Statements  
June 30, 2004

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and severance pay are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absence expenditures are recorded only when payment is due.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

**Major Street Fund** - The Major Street Fund is used to account for state grants and other revenues restricted for use maintaining and improving the Major Street highway system.

**Local Street Fund** - The Local Street Fund is used to account for state grants and other revenues restricted for use maintaining and improving the Major Street highway system.

The City reports the following major proprietary fund:

**Sewer Fund** - The Sewer Fund accounts for the activities of the sewage collection system.

**Water Fund** - The Water Fund accounts for the activities of the water system.

Additionally, the City reports the following funds :

**Agency Funds** - Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activity.

City of Rose City  
Notes to Financial Statements  
June 30, 2004

**Note 1 - Summary of Significant Accounting Policies(Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's sewer function of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions; and (3) capital grants and contributions, including, special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. The Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

**Property Taxes** - Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The City's 2003 ad valorem tax is levied and collectible on July 1, 2003, and is recognized as revenue in the year ended June 30, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the City totaled \$11,642,170, on which ad valorem taxes levied consisted of 14.9685 mills for operating purposes, .9979 for fire protection purposes, and 2.9937 for City streets. The tax levies resulted in \$173,911 for operating purposes, \$11,592 for fire protection purposes and \$37,780 for City streets. These amounts are recognized in the respective General and Special Revenue funds.

**Note 1 - Summary of Significant Accounting Policies(Continued)**

**Inventories and Prepaid items** - Inventories are valued at cost, on a first-in, first-out basis. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads.), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$ 250 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20 years

**Compensated Absences** - It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds as they come due for payment, generally when there are employee terminations as of year end.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Note 2 - Stewardship, Compliance and Accountability**

**Budgetary Information** - The City is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the City Council for consideration. Public hearings are obtained to obtain taxpayer comments and the budgets are adopted at the activity level by a majority vote of the City Council.

City of Rose City  
Notes to Financial Statements  
June 30, 2004

**Note 2 - Stewardship, Compliance and Accountability (Continued)**

The budget document presents information by fund and activity. The legal level of budgetary control adopted by the City Council is the activity level.

During the year, the budgets were amended in a legally permissible manner.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The City incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund - Public safety	\$ 123,806	\$ 126,441	\$ 2,635
General Fund - Recreation and culture	2,674	3,356	682
General Fund - Contributions to other funds	8,905	26,469	17,564
Major Street Fund - Public works	193,279	193,428	149
Local Street Fund - Public works	68,840	105,081	36,241

**Note 3 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City Council has designated three banks for the deposit of City funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The City's deposits and investment policy are in accordance with statutory authority .

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>City Total</u>
Cash and cash equivalents	\$ 170,057	\$ 198,124	\$ 2	\$ 368,183
Total	<u>\$ 170,057</u>	<u>\$ 198,124</u>	<u>\$ 2</u>	<u>\$ 368,183</u>

City of Rose City  
Notes to Financial Statements  
June 30, 2004

**Note 3 - Deposits and Investments (Continued)**

The breakdown between deposits and investments for the City is as follows:

Deposits (checking, savings and certificates of deposit)	\$ 368,183
	<u>\$ 368,183</u>

The bank balance of the City's deposits is \$378,378, of which \$ 231,132 is covered by federal depository insurance.

**Note 4 - Receivables**

The following is the detail of the receivables of the governmental activities due from other governmental units at June 30, 2004:

	General Fund	Sewer Fund	Other Major and Non- Major Funds	Total
Ogemaw County	\$ 618	\$	\$	\$ 618
State of Michigan	12,861	-	13,122	25,983
Federal government	10,000	-	-	10,000
Less: Allowance for Uncollectibles	-	-	-	-
Total receivables	<u>\$ 23,479</u>	<u>\$ 0</u>	<u>\$ 13,122</u>	<u>\$ 36,601</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Rent paid in advance	\$ -	\$ 440
Metro Act payment received, not yet earned	-	3,764
Totals	<u>\$ 0</u>	<u>\$ 4,204</u>
Total deferred revenue		<u>\$ 4,204</u>

City of Rose City  
Notes to Financial Statements  
June 30, 2004

**Note 5 - Capital Assets**

Capital asset activity of the City's governmental and business-type activities were as follows:

**Governmental Activities**

<u>Assets</u>	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Capital assets not being depreciated - Land	\$ 59,543	\$ -	\$ -	\$ 59,543
Capital assets being depreciated:				
Infrastructure	-	187,221	-	187,221
Land improvements	101,624	-	-	101,624
Buildings	175,058	-	-	175,058
Furniture and equipment	230,811	5,954	-	236,765
Subtotal	567,036	193,175	-	760,211
<u>Accumulated Depreciation</u>				
Infrastructure	-	5,461	-	5,461
Land improvements	30,046	5,081	-	35,127
Buildings	65,980	3,934	-	69,914
Furniture and equipment	101,446	18,478	-	119,924
Subtotal	197,472	32,954	-	230,426
Net capital assets being depreciated	369,564	160,221	-	529,785
Net capital assets	\$ 369,564	\$ 160,221	\$ 0	\$ 529,785

**Business-type Activities**

<u>Assets</u>	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Capital assets being depreciated				
Sewer system	\$ 2,019,166	\$ 51,055	\$ -	\$ 2,070,221
Buildings	37,157	-	-	37,157
Equipment	21,320	-	-	21,320
Water system	479,862	18,921	-	498,783
Subtotal	2,557,505	69,976	-	2,627,481
<u>Accumulated Depreciation</u>				
Sewer system	726,565	41,307	-	767,872
Buildings	17,089	1,486	-	18,575
Equipment	19,997	913	-	20,910
Water system	135,252	6,524	-	141,776
Subtotal	898,903	50,230	-	949,133
Net capital assets being depreciated	1,658,602	19,746	-	1,678,348
Net capital assets	\$ 2,028,166	\$ 179,967	\$ 0	\$ 2,208,133

City of Rose City  
Notes to Financial Statements  
June 30, 2004

**Note 5 - Capital Assets (Continued)**

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 5,689
Public safety	4,655
Public works	17,330
Recreation	5,280
Total governmental activities	<u>\$ 32,954</u>

Business-type activities - Sewer	\$ 43,706
Business-type activities - Water	<u>\$ 6,524</u>

**Note 6 - Receivables, payables and transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 9,968	General Fund	\$ 18
Road Fund	-	Major Street Fund	9,966
Sewer Fund	18	Sewer Fund	-
Fiduciary Funds	-	Fiduciary Funds	2
Total	<u>\$ 9,986</u>	Total	<u>\$ 9,986</u>
 <u>Transfer In</u>		 <u>Transfer Out</u>	
Major Street Fund	\$ 75,134	General Fund	\$ 26,469
Cemetery Fund	7,277	Local Street Fund	75,134
Public Improvement Fund	19,192		
	<u>\$ 101,603</u>		<u>\$ 101,603</u>

**Note 7 - Risk Management**

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.



City of Rose City  
Notes to Financial Statements  
June 30, 2004

**Note 8 - Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)**

**Plan Description**

The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers substantially all full-time employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained from the Rose City Clerk at the City hall located at 410 North Williams Street, Rose City, Michigan.

The City's current year covered payroll and its total current year payroll for all employees amounted to \$170,355 and \$204,942 respectively.

**Funding Policy** - The plan requires a contribution from the employees of 3-5% of gross wages for employees covered by the pension plan.

**Annual Pension Costs** - For the year ended June 30, 2004, the City's annual pension cost of \$4,600 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as of December 31, 2001, using the entry age normal actuarial funding method. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 4.5% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement, for persons under Benefit E-1 or E-2. Unfunded actuarial accrued liabilities, if any, are amortized as a level percent of payroll over a period of 30 years.

Three year trend information as December 31, 2003 follows:

	2001	2002	2003
Annual Pension Cost	\$ 11,018	\$ 14,682	\$ 15,515
Percent of APC Contributed	100%	100%	100%
Actuarial Value of Assets	416,506	434,791	470,815
Actuarial Accrued liabilities	382,009	424,334	459,429
Overfunded Actuarial Liability	34,500	10,457	11,386
Funded Ratio	109%	102%	102%
Covered Payroll	149,594	170,610	170,355
UAAL as a Percentage of Covered Payroll	0%	0%	0%

City of Rose City  
Notes to Financial Statements  
June 30, 2004

**Note 9 - Commitment - Cumming Township**

On November 6, 1997, the City Council executed an agreement with Cumming Township, whereby the Township is authorized to connect its wastewater collection system to the City's wastewater treatment system. The Township will be allowed to utilize up to 13% of the wastewater treatment system's capacity. The Township will pay all costs of connection.

Additionally, the Township agrees to pay the City for each user of the Township Collection System at rates enumerated in the City's sewer rate ordinance.

The City agrees to operate and maintain the Township's facility. The Township shall reimburse the City for the effort at its prevailing hourly rates for labor and equipment.

**Required Supplemental Information**

City of Rose City  
Budgetary Comparison Schedule - General Fund  
June 30, 2004

	Budgeted Amounts			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 10,000	\$ 10,000	\$ 152,372	\$ 142,372
<b>Resources (Inflows)</b>				
Taxes and fees	185,882	185,882	185,503	(379)
Licenses and permits	1,000	1,185	1,185	-
Federal grants	-	-	10,000	10,000
State-shared revenues	99,800	105,950	102,596	(3,354)
Charges for services	9,100	9,100	8,071	(1,029)
Fines and forfeits	500	500	878	378
Interest and rentals	26,000	28,421	29,220	799
Reimbursements	63,370	80,065	78,285	(1,780)
Other	6,500	1,603	10,473	8,870
Amounts available for appropriation	<u>392,152</u>	<u>412,706</u>	<u>426,211</u>	<u>13,505</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	102,508	105,223	100,133	(5,090)
Public safety	123,806	123,806	126,441	2,635
Public works	141,428	156,000	153,364	(2,636)
Recreation and culture	2,674	2,674	3,356	682
Other	11,500	11,500	10,553	(947)
Capital outlay	11,000	11,000	5,954	(5,046)
Contributions to other funds	8,905	8,905	26,469	17,564
Total charges to appropriations	<u>401,821</u>	<u>419,108</u>	<u>426,270</u>	<u>7,162</u>
<b>Fund Balance - end of year</b>	<u>\$ 331</u>	<u>\$ 3,598</u>	<u>\$ 152,313</u>	<u>\$ 148,715</u>

City of Rose City  
 Budgetary Comparison Schedule - Major Street Fund  
 June 30, 2004

	Budgeted Amounts			Variance with
	2004	2004		Amended
	Original	Amended	Actual	Budget
<b>Fund Balance - Beginning of year</b>	\$ 28,596	\$ 28,596	\$ 30,671	\$ 2,075
<b>Resources (Inflows)</b>				
Taxes and fees	34,853	34,853	-	(34,853)
Licenses and permits	-	-	-	-
State-shared-grants and other	392,000	78,801	87,285	8,484
Charges for services	-	-	-	-
Contributions from other funds	77,895	50,692	75,134	24,442
Interest	-	-	-	-
Other	-	337	337	-
Amounts available for appropriation	<u>504,748</u>	<u>164,683</u>	<u>162,756</u>	<u>(1,927)</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	532,439	193,279	193,427	148
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total charges to appropriations	<u>532,439</u>	<u>193,279</u>	<u>193,427</u>	<u>148</u>
<b>Fund Balance - end of year</b>	\$ <u>905</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

City of Rose City  
Budgetary Comparison Schedule - Local Street Fund  
June 30, 2004

	Budgeted Amounts			Variance with
	2004	2004		Amended
	Original	Final	Actual	Budget
<b>Fund Balance - Beginning of year</b>	\$ 66,799	\$ 66,799	\$ 82,000	\$ 15,201
<b>Resources (Inflows)</b>				
Taxes and fees	-	-	34,781	34,781
State shared-grants and other	13,000	13,000	18,548	5,548
Interest	-	-	-	-
Other	7,500	7,500	5,400	(2,100)
Amounts available for appropriation	<u>20,500</u>	<u>20,500</u>	<u>58,729</u>	<u>38,229</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	68,840	68,840	105,081	36,241
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Contributions to other funds	-	-	-	-
Total charges to appropriations	<u>68,840</u>	<u>68,840</u>	<u>105,081</u>	<u>36,241</u>
<b>Fund Balance - end of year</b>	<u>\$ 18,459</u>	<u>\$ 18,459</u>	<u>\$ 35,648</u>	<u>\$ 17,189</u>

## **Other Supplemental Information**

City of Rose City  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004

	Special Revenue Funds			
	<u>Cemetery</u>	<u>Public Improvement</u>	<u>All Ages Recreation</u>	<u>Total Special Revenue</u>
<b>Assets</b>				
Cash and investments	\$ 26	\$ -	\$ 1,854	\$ 1,880
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 26</u>	<u>\$ 0</u>	<u>\$ 1,854</u>	<u>\$ 1,880</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 26	\$ -	\$ 151	\$ 177
Accrued and other liabilities	-	-	582	582
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>26</u>	<u>-</u>	<u>733</u>	<u>759</u>
<b>Fund Balances:</b>				
Unreserved	<u>-</u>	<u>-</u>	<u>1,121</u>	<u>1,121</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>1,121</u>	<u>1,121</u>
Total liabilities and fund balances	<u>\$ 26</u>	<u>\$ 0</u>	<u>\$ 1,854</u>	<u>\$ 1,880</u>



City of Rose City  
Combining Statement of Revenue, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
June 30, 2004

	Special Revenue Funds			
	<u>Cemetery</u>	<u>Public Improvement</u>	<u>All Ages Recreation</u>	<u>Total Special Revenue</u>
<b>Revenue</b>				
Taxes and fees	\$ -	\$ -	\$ -	\$ -
Charges for services	1,225	-	-	1,225
Interest and rentals	-	-	-	-
Other	-	-	3,682	3,682
Total revenue	1,225	-	3,682	4,907
<b>Expenditures</b>				
General government	6,614	-	-	6,614
Culture and recreation	-	-	4,502	4,502
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	6,614	-	4,502	11,116
<b>Excess of Revenue Over (Under) Expenditures</b>	(5,389)	-	(820)	(6,209)
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	7,277	19,192	-	26,469
Total other financing sources (uses)	7,277	19,192	-	26,469
<b>Net Change in Fund Balances</b>	1,888	19,192	(820)	20,260
<b>Fund Balances - Beginning of year</b>	(1,888)	(19,192)	1,941	(19,139)
<b>Fund Balances - End of year</b>	\$ 0	\$ 0	\$ 1,121	\$ 1,121